



AGENDA DATE: 12/20/00
AGENDA ITEM: 8C

STATE OF NEW JERSEY
Board of Public Utilities

*Two Gateway Center
Newark, NJ 07102*

TELECOMMUNICATIONS

IN THE MATTER OF THE JOINT PETITION OF)
TIME WARNER TELECOM, INC. AND TIME)
WARNER TELECOM OF NEW JERSEY, L.P.)
FOR AUTHORITY TO ENTER INTO CERTAIN)
FINANCING ARRANGEMENTS)

ORDER OF APPROVAL

DOCKET NO.: TF00090662

LeBoeuf, Lamb, Greene & MacRae, LLP, Newark, N.J. by Colleen A. Foley, Esq. For
Time Warner Telecom, Inc. and Time Warner Telecom of New Jersey, L.P.

Fred S. Grygiel, Chief Economist, Mark C. Beyer, Manager, Julie Huff, Accountant II,
Leo M. Lim, Supervising Accountant, Office of the Economist on behalf of the Staff
of the Board of Public Utilities

BY THE BOARD:

On September 21, 2000, joint petitioners, Time Warner Telecom, Inc. ("TW Telecom") having principal offices at 10475 Park Meadows Drive, Littleton, Colorado 80124, and Time Warner Telecom of New Jersey, L.P. ("TW-NJ" or the "Company"), a local exchange carrier authorized to operate in the State of New Jersey, filed a petition with the New Jersey Board of Public Utilities ("Board" or "BPU"), pursuant to N.J.S.A. 48:3-7 and N.J.A.C. 14:1-5.9, seeking authority to execute various financial instruments in the total amount of \$2.05 billion and to pledge the assets of the company to secure, in part, those agreements. TW Telecom is the parent company of TW-NJ.

Among the financial instruments the Company seeks to execute is: (1) an amendment and restatement of the \$400 million existing Base Revolving Credit Facility, approved by the Board on April 26, 2000 in Docket No. TF00030154, to \$475 million; and (2) an incremental Facility of \$250 million. The Base Revolving Credit Facility is being funded by a syndicate of financial institutions with Chase Securities, Inc. acting as the lead arranger, which institutions must be agreeable to TW Telecom and Chase Manhattan Bank. The Base Revolving Credit Facility is structured so that one or more subsidiaries of TW Telecom may borrow from the credit facility and use the proceeds for general corporate purposes, capital expenditures, working capital, and permitted investments and acquisitions. Additionally, \$525 million, consisting of a new \$275 million Delayed Draw Term Loan Facility and a new \$250 million Tranche B Term Loan Facility will be made available. TW Telecom also intends to issue up to \$800 million in equity and/or unsecured notes.

The proposed financial transactions are being secured by a pledge of one hundred (100) percent of the capital stock of all direct and indirect domestic subsidiaries of TW Telecom. To supplement the primary stock security package, a security agreement will grant a security interest in all tangible and intangible personal property of TW Telecom's direct and indirect subsidiaries. The projected maturity date of the credit facility is December 31, 2007, with a possible extension of that date based on the incremental credit facility. The projected maturity date of the Delayed Draw Term Loan Facility is December 31, 2007, and the projected maturity date of the Tranche B Term Facility is March 31, 2008.

By letter dated December 18, 2000, the New Jersey Division of the Ratepayer Advocate (Advocate) filed comments on this matter and recommended that the Board decline to grant the petition as currently filed. The Advocate espoused this position indicating that: "The proceeds of the facility are asserted to benefit Time Warner Telecom of New Jersey through upgrade of the national network, enhanced operations, strengthen its competitive ability in the local exchange market via the acquisition of additional telecommunications assets... There is no added information to substantiate the assertion that the financing will strengthen its competitive potential in the New Jersey local exchange market and thereby provide the New Jersey local exchange service market, particularly the residential market, with the beneficial fruits of competition." The Board disagrees. Greater access to capital will benefit New Jersey consumers, and the Board finds that this is a lawful objective which encourages investment in the State.

The Board, after investigation, having considered the record and exhibits submitted in this proceeding, is satisfied with the action to be taken by Petitioner as indicated above and FINDS that the transactions are in accordance with the law and are not contrary to the public interest, and APPROVES the purposes thereof. The Board HEREBY AUTHORIZES Time Warner Telecom, Inc. and Time Warner Telecom of New Jersey, L.P. to execute: (1) an amendment and restatement of the existing Base Revolving Credit Facility in the amount of \$475 million, with an option for an additional incremental Facility of \$250 million; (2) a \$275 million Delayed Draw Loan Facility; (3) a \$250 million Tranche B Term Loan Facility; and (4) up to \$800 million in equity and/or unsecured notes.

This Order is subject to the following provisions:

- (1) Petitioners shall notify the Board, within five business days, of any material changes in the Facility, and shall provide complete details of such transactions, including any anticipated effects upon service in New Jersey;
- (2) Petitioners shall notify the Board of any material default on the terms of the Facility within five business days of such occurrence;
- (3) this Order shall not affect or in any way limit the exercise of the authority of the Board or of the State in any future petition or in any proceeding with respect to rates, franchises, services, financing, accounting, capitalization, depreciation or any other matters affecting the Petitioners;
- (4) this Order shall not be construed as directly or indirectly fixing for any purpose whatsoever any value of tangible or intangible assets now owned or hereafter to be owned by Petitioners;

- (5) Petitioners shall semiannually file statements for the amounts and use of the credit facilities pursuant to N.J.A.C. 14:1-5.9(b); and
- (6) notwithstanding anything to the contrary in the documents executed pursuant to the financing transactions or other supporting documents, a default or assignment under such agreement does not constitute automatic transfer of Petitioners' assets. Board approval shall be sought pursuant to N.J.S.A. 48:1-1 et seq., where applicable.

DATED: December 21, 2000

BOARD OF PUBLIC UTILITIES
BY:

[SIGNED]
HERBERT H. TATE
PRESIDENT

[SIGNED]
CARMEN J. ARMENTI
COMMISSIONER

[SIGNED]
FREDERICK F. BUTLER
COMMISSIONER

ATTEST:
[SIGNED]
FRANCES L. SMITH
BOARD SECRETARY